E/2006/33

United Nations

Committee for Development Policy

Report on the eighth session (20-24 March 2006)

Economic and Social Council
Official Records, 2006
Supplement No. 13 (E/2006/33)

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United Nations • New York, 2006

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ISSN 0257-0661

Summary

The present report contains the main findings and recommendations of the eighth session of the Committee for Development Policy, held at United Nations Headquarters from 20 to 24 March 2006. The Committee addressed three themes: the first concerned creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development; the second concerned coping with economic vulnerability and instability; and the third concerned the triennial review of the identification of the least developed countries.

With regard to the first theme, the Committee is of the view that creating an environment for full and productive employment and decent work for all should be a key objective of domestic economic and social policy, since productive employment is central to fighting poverty and providing adequate social security. However, this goal remains unattainable in many developing countries where a large share of workers are trapped in low-skill/low-wage jobs in the agricultural and informal sectors. Thus, higher levels of investment in human capital are needed to improve the employability of workers and increase the benefits from economic growth. Counter-cyclical policies are needed to protect jobs and incomes and provide adequate social security in times of economic shocks and natural disasters. The Committee stresses that the international community should make the objective of reaching full productive employment and decent work an integral part of trade, financial arrangements and development assistance to developing countries, particularly the least developed countries.

Regarding the second theme, the Committee observes that countries that have been successful in preventing or managing shocks have done so by adopting a long-term strategy shaped by the constructive use of local knowledge. Countries such as Botswana, Cape Verde and Mauritius increased national capacity in a few key areas of governance, human and social development, and fiscal and financial management. The Committee recommends that the international community assist developing countries, particularly the least developed countries, in their efforts to strengthen capacity in several key areas, such as developing infrastructure and business activities. Developed countries should not undermine developing countries' development by limiting market access, or by delaying reform of their agricultural policies and maintaining agricultural subsidies. The international community needs to provide technical assistance to the least developed countries in responding to vulnerability caused by environmental stress or ecological damage.

As to the third theme, in its triennial review of the list of least developed countries, the Committee considers three dimensions of a country's state of development: its income level (gross national income per capita), its stock of human assets (the human assets index) and its economic vulnerability (the economic vulnerability index). To be added to the list, a country must satisfy the threshold levels for inclusion based on all three criteria. To become eligible for graduation, a country must reach the thresholds for graduation for at least two of the three criteria, or its gross national income per capita must exceed twice the threshold level. To be

recommended for graduation, a country must be found eligible for graduation in two consecutive triennial reviews. The Committee recommends that Papua New Guinea be included in the list and that Samoa be graduated from the list. Furthermore, the Committee finds Equatorial Guinea, Kiribati, Tuvalu and Vanuatu eligible for graduation for the first time.

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Chapter I

Matters calling for action by the Economic and Social Council or brought to its attention

A. Matters calling for action by the Council

Recommendation 1

1. The Committee for Development Policy recommends to the Economic and Social Council that Papua New Guinea be included in the list of least developed countries (subject to the Government's acceptance).

Recommendation 2

2. The Committee for Development Policy recommends to the Economic and Social Council that Samoa be graduated from the list of least developed countries.

B. Matters brought to the attention of the Council

1. Theme of the Council's 2006 high-level segment

3. In reaching its conclusions on the theme of its 2006 high-level segment, the Economic and Social Council may wish to take into account the analysis and recommendations of the Committee for Development Policy contained in chapter II of the present report. Together with other issues, the Committee is of the view that higher levels of investment in human capital are needed to improve the employability of workers and increase the benefits from economic growth. The Committee also highlights the importance of mainstreaming employment objectives in macroeconomic policies, multilateral trade agreements and debt relief initiatives.

2. Coping with economic vulnerability and instability: national and international policy responses

4. The Economic and Social Council may wish to consider the recommendations of the Committee for Development Policy on the subject of coping with economic vulnerability and instability: national and international policy responses, contained in chapter III of the present report. The Committee observes that countries that have been successful in preventing or managing shocks have done so by adopting a long-term strategy shaped by the constructive use of local organizations and practices. Furthermore, in view of its analysis of policy interventions that can contribute to building resilience to external shocks, the Committee makes recommendations on strengthening governance, investment in human development, creating more space for developing countries in fiscal and financial management, as well as international mechanisms enabling countries to cope with shocks in global markets.

3. Countries meeting the graduation criteria for the first time

5. The Committee for Development Policy found Equatorial Guinea, Kiribati, Tuvalu and Vanuatu eligible for graduation for the first time. It expects vulnerability profiles for those countries to be prepared by the United Nations Conference on Trade and Development (UNCTAD) in accordance with General Assembly

resolution 59/209. The Committee is of the view that it may provide guidance for the preparation of the profiles.

4. Information provided to countries found eligible for inclusion and graduation

6. The Committee for Development Policy informed the representatives of those countries which were found eligible for inclusion in the list of least developed countries and countries considered eligible for graduation from the list.

5. Future work of the Committee

7. The Committee for Development Policy is of the view that the Economic and Social Council could make more effective use of its expertise. This issue was addressed in the joint meeting between the bureaux of the Council and the Committee. It was concluded that in view of the follow-up to the 2005 World Summit and to the Economic and Social Council reform process, the Committee could take on a stronger role as a think tank, contributing to the setting and evaluation of the international development agenda, and provide inputs to the Council accordingly. The Council may wish to take into account the recommendations included in chapter V of the present report, concerning the future work of the Committee for Development Policy.

Chapter II

Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development

1. Full and productive employment is the surest means of fighting poverty and integrating weaker sections of society into the mainstream. For most people, employment is the sole source of income. Employment adds to the dignity of people because it is indicative of their value to society. In its resolution 60/1, the General Assembly adopted the 2005 World Summit Outcome, by which the Heads of State and Government attending the 2005 World Summit reaffirmed their commitment

> "to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals".

In the pursuit of productive employment and decent work, both nations and the international community recommit themselves to the principles of sustainable development.

2. Opportunities for decent work depend critically on the productivity of employment and on government policies. In developing countries, the division of labour and organization of work do not yet permit the very high levels of productive employment characteristic of developed countries. As a result, a high proportion of labour in developing countries is in part-time, temporary or seasonal employment amounting, in effect, to underemployment.

A. Challenges

3. Creating an environment conducive to generating full and productive employment and decent work for all requires, first and foremost, stable, predictable and sustainable long-term growth under conditions of peace and security. In addition, such growth should not make extreme demands on the resource base or place unsustainable burdens on ecological systems. Policies at both the national and international levels should foster the use of clean technologies and increasing resource productivity.

4. The Committee for Development Policy recognizes that employment conditions differ widely across developing countries. Hence, both the analysis of the issues and the policy responses should be country-specific. Nonetheless, it is possible to identify a number of issues and types of problems common to broad groups of countries, as addressed below.

5. In the formulation of national economic policy, the primary issue is the pattern of economic growth and technological choice. Given the persistent challenge of labour-abundance in developing countries, achieving full employment should be an overarching objective of the development strategies of those countries , both as an end in itself and as a critical means to poverty reduction. As such, the employment

objective should be central both to macroeconomic as well as to trade and industrial development policies. The development experience over the last decade suggests that more attention should be paid to the balance between capital-intensive and labour-intensive options.

6. The Committee notes that achieving full and productive employment and decent work for all is not the outcome of any particular policy but of a host of measures and activities undertaken by myriad economic agents. While macroeconomic policies affect the overall level of employment, microeconomic policies influence the choice of economic activities as well as the intensity of labour use. The selection and effectiveness of national policies depend on initial conditions, as well as on the availability of particular policy instruments and effectiveness in the implementation of chosen policies. The Committee reviewed several policy challenges, keeping in mind that no one policy prescription fits all countries at all times.

7. Growth in productive employment has not kept pace even in countries experiencing strong economic growth in recent years. In other countries, especially in sub-Saharan Africa, the rate of economic growth has been far too low to generate much employment. Recurrent natural disasters, tenacious public health problems, including HIV/AIDS, internal and external conflicts, persistent declines in their terms of trade and policy failures have prevented many African countries from exploiting opportunities for economic growth and employment creation. Additional international support as well as an improved policy stance are essential to turn this situation around.

8. Open unemployment is one of the manifestations of the failure to provide productive employment. With public sector employment in developing countries on the decline for various reasons, the challenge is for the private sector — the main source of employment and growth — to expand at such a pace as to absorb those currently unemployed, as well as net additions to the labour force. Where Governments retrench and the formal private sector is unable to pick up the slack, the informal sector becomes the source of employment of last resort.

9. Another manifestation of the failure to provide productive employment is underemployment, characterized by masses of the working poor trapped in low-skill/low-wage jobs in agriculture and the informal sector. Fifty per cent of the working population in the world earned less than $2 per day in 2005, according to recent estimates of the International Labour Organization (ILO).[1] In the extreme case of Africa, formal wage employment accounts for only 10 per cent of the labour force and the bulk of jobs is in self-employment in agriculture and the informal economy. Elsewhere in the developing world, the share of informal sector employment is also on the rise.

10. Markets cannot always be relied on to provide full and productive employment and decent work or to minimize unfavourable impacts on the environment. Considerations of market efficiency and flexibility therefore need to be balanced with considerations of social protection. Striking a balance between flexibility and efficiency is critical in the policy dialogue for creating an environment conducive to employment generation and decent work. Productivity gains and labour-saving technologies, especially in developed economies, allow for output gains with little

[1] *Global Employment Trends Brief* (Geneva, January 2006, International Labour Office).

increase in labour input (i.e. jobless growth), while in developing countries the demand for labour is often held back by inadequate effective demand. Meanwhile, high population growth and other demographic factors add to the labour pool.

11. The Committee noted the importance of institutions — comprising laws, customs and practices — to the attainment of employment objectives in a society. Governments providing law and order, which are accountable to the governed and efficient in the conduct of business are fundamental to an environment conducive to the generation of productive employment and decent work. Laws relating to the enforcement of contracts and the functioning of other market institutions are the foundation for the growth of an efficient and thriving private sector. Regulations may influence the rates of profits to wages. For instance, regulations concerning minimum wages, severance pay and other employee benefits may tilt incentives in favour of existing employees. However, they may also stimulate job creation, or have an effect on job security or flexibility in hiring practices.

12. Macroeconomic policies should not lose sight of the urgent need for more and more productive employment and decent work. At the same time, policies promoting economic growth and employment should be tailored to avoid high inflation and build capacity to deal effectively with external shocks. The Committee noted the contrasting experiences in Latin America, where rapid growth was thwarted in the past by high rates of inflation, and in China and India, where high rates of growth have persisted without igniting inflation. These differences provide important lessons for the future.

13. Destabilizing shocks to economic systems can emerge suddenly from within or from without. Policy errors in domestic financial markets can be severely aggravated by capital flight and by the swift movement of capital made possible by technological innovations. Indeed, the further opening to international trade and foreign investment entails potential benefits as well as pitfalls. Freeing up the capital account in developing countries is something far more complex than was imagined in the early 1990s. Remedial measures in response to shocks in international financial markets recommended by the International Monetary Fund (IMF) in the 1990s have been modified in the light of experience and deserve to be examined further.

B. Capital and technology create productive employment

14. Central to productive employment is the use of capital, both physical and human. The most notable difference between workers in developing and developed countries is in the amount of such capital per worker. In some cases, human development takes precedence; in others, the construction of infrastructure and the acquisition of equipment are deemed more important. A healthy and educated population is not possible without access to health and educational facilities; in turn, it cannot find productive employment without factories and equipment, roads and railways.

15. Increases in productivity are driven, in part, by technological progress, but in the case of developing countries, structural change and economic diversification are also important drivers. In an increasingly integrated global market, policies promoting such changes are essential for least developed countries and other countries to improve their competitiveness. An appropriate regulatory and

institutional environment is required to raise both domestic and foreign investment for such purposes. Where inadequate purchasing power in the domestic market curtails the prospects for such investments, innovative national employment policies, such as the 2005 Rural Employment Guarantee Act in India, may be appropriate, especially for larger economies with well-integrated domestic economic structures.[2]

16. A vast majority of enterprises and workers in developing countries are not part of the formal institutional framework, where labour markets continue to be severely regulated and taxed. By raising labour costs, some of these regulations depress formal sector employment — especially among the low-skilled, young and female employees — pushing them to seek employment in the informal sector instead.

C. Special focus: youth, women and migrants

17. Forty-seven per cent of all unemployed people globally are young persons.[1] Young females, furthermore, are more likely to be unemployed than males. The working conditions of young women and men could be positively influenced by improving employability through solid formal education, relevant vocational training, provision of useful labour market information and services.

18. Women are less likely to be in regular wage employment than men. Occupational segregation results in poor working status, affecting recruitment, earnings and promotion practices.

19. Wide disparities in wages and employment opportunities among developed and developing countries prompts a large flow of international migration from South to North. There is also large-scale temporary migration for work among developing countries in East, South and West Asia. Such movements generate costs and benefits for both sending and receiving nations. Labour mobility is an integral feature of a globalizing world and therefore should be the subject of international cooperation and regulation, such as now exists for the transnational movements of goods, investment and technology.

D. Employment issues in international cooperation

20. Through investment, trade and information flows, international cooperation can contribute to mitigate the negative impact on employment and growth of shocks arising from financial crises, ecological fragility and terms of trade losses.

21. Development partners should make productive employment and decent work an integral part of growth-enhancing and poverty-reducing strategies. Trade liberalization may generate new employment opportunities, but it may also lead to job losses and increased vulnerability. Least developed and other low-income countries need special support from the multilateral system to enable them to take

[2] See Ministry of Rural Development, Government of India, National Rural Employment Guarantee Act — 2005, available at http://nrega.nic.in/ (accessed April 2006). The Act guarantees a minimum of 100 days of unskilled labour to every rural household at a daily wage. Eligible adult members of those households would be employed in specified public works projects, identified by local government institutions, under the scheme.

[1] See note 1.

advantage of opportunities to participate in global markets. Multilateral trade agreements should include provisions for social impact assessment and the promotion of decent work. Employment as a key objective must also be reflected in the programmes of the Bretton Woods institutions so that effective demand is not unduly suppressed in order to cope with external shocks.

22. International action through debt relief and improving donor-recipient relationships can contribute to conducive conditions for productive employment generation in least developed countries. In order to help low-income countries create jobs, developed countries should facilitate the opening of their markets to imports of goods and services in which the former have a comparative advantage, such as agriculture and labour-intensive manufacturing and services.

23. The Millennium Development Goals are milestones on the path towards sustainable development. By adopting them, the international community has committed itself, for the first time, to quantitative goals within a fixed timetable. Extending that approach from safe water supply and sanitation to other environmentally relevant activities may activate employment potential.

24. Additional resources needed to raise productive employment targets can be generated through innovative mechanisms. In the field of global environmental policy, both adaptation and compensation funds have been established or are under consideration. For instance, in a future expansion of emissions trading to include newly industrializing and developing countries, multilateral emissions trading could replace the existing bilateral Clean Development Mechanism and could therefore lead to a substantial transfer of financial resources to the poorer countries. In this way, policies and initiatives directed towards the promotion of environmentally sustainable development may support national policies conducive to employment generation in developing countries.

E. Recommendations for national development strategies

25. National policies should be targeted to give greater prominence to employment and to stimulate employment creation and growth. National development strategies should strongly enhance coherence between financial and economic policies, on the one hand, and employment, labour market policies and social development on the other. Moreover, an adequate understanding of the benefits and potential pitfalls of further opening to international trade and foreign investment is of critical importance in formulating effective national employment strategies.

26. A viable strategy for implementing productive employment and decent work in the poorest countries must encompass support for the traditional sectors in agriculture, small and medium-sized enterprises and microenterprises via well-conceived packages that incorporate support to introduce new technologies, microcredit to encourage expansion and support for domestic and international marketing. Policy formulation should be directed at raising productivity and facilitating the trend of diversification from agriculture to other economic activities.

27. New models of vocational training that stimulate training of workers within enterprises would help to match skills and demands and to strengthen working experience. Other innovative forms of training, such as exchange programmes of youth in different regions or countries, job placement schemes, counselling and

legal advice, would help young people to secure decent jobs. Furthermore, employment protection legislation to ensure fairness and basic security is needed for young women workers. Working schemes to combine child-raising activities with work activities are particularly important.

28. In most developing countries, a vast majority of enterprises and workers are not part of the formal institutional framework. While Governments should undertake measures to integrate informal activities into the formal sector, they should also explore alternative arrangements to expand the reach of formal sector institutions. The main policy efforts in this respect should focus on promoting opportunities for access to land, finance and extension services.

Chapter III

Coping with economic vulnerability and instability: national and international policy responses

1. The Committee for Development Policy reviewed policy efforts to advance growth and development, in particular those efforts aimed at building capacity for resilience to economic shocks.

A. Economic vulnerability

2. The present chapter focuses on vulnerability to external economic shocks, which are outside a country's direct control. It does not consider short-term instability, conflicts or natural disasters.

3. Shocks are major changes in economic conditions and may include movements that are favourable, such as a dramatic rise in the price of exports, or unfavourable, such as a surge in the price of an essential import. Vulnerability to shocks is a characteristic of many developing countries, especially the least developed ones. In fact, economic vulnerability is a concept that helps define to identify the least developed countries, a major task of the Committee for Development Policy (see chapter IV). Least developed countries are particularly affected by external developments. The present chapter deals with dynamic vulnerability, a structural characteristic of countries, whereby shocks lead to long-term constraints on growth and development.

4. The ability of a country to manage dynamic vulnerability is influenced by a number of factors, inter alia, a country's size and level of development, its productive, institutional and human capacity to absorb rapid change, as well as social cohesion. Certain shocks, such as energy crises and crises emanating from upheavals in international commodity and financial markets, surpass the individual capacity of most developing countries to cope and require an international response.

B. National responses

5. Over the medium to long-term, appropriate policies at the national level can help both to prevent shocks and to build the capacity to absorb the impact of external shocks more effectively. Resilience may be a natural by-product of development, but countries vulnerable to economic shocks need to create appropriate institutions to deal with such occurrences. The countries that have been successful in preventing or managing shocks have done so by adopting a long-term strategy shaped by constructive use of local knowledge and traditions. Such adaptive responses relate to several important areas of national policy.

1. Governance

6. Nations with open and inclusive decision-making processes have been better able to build resilience and cope with the effects of shocks. Economic shocks affect different sections of society unequally and can therefore lead to political instability and civil strife. By creating an atmosphere of trust and enhancing social cohesion, good governance can foster economic stability and minimize the chances of conflict.

Among other aspects of good governance, the protection of property rights has been a key to success in several countries.

7. Mauritius provides an example of a country that has paid special attention to the rule of law, property rights and political consensus-building. Recognizing the potential for conflict, the early independence Government developed strategies and institutions to mobilize people to seek new ways to diversify economic activities and lessen its vulnerability to shocks. Openness to dialogue and criticism have been essential aspects of conflict prevention both in Mauritius and in Botswana, leading to the emergence of a meritocracy and good governance practices across a broad range of government activities. In Botswana, economic progress has been achieved not only through enlightened leadership, but also by making good use of its traditional culture of inclusiveness. Botswana has functioned as a multiparty democracy throughout its years of independence. Perhaps equally important, civil society has played an active role in policy formation, with civil society organizations often drafting alternative policy recommendations to complement government programmes. Cape Verde has also demonstrated that political openness and participatory democracy are valuable attributes for formulating and implementing policies to overcome economic vulnerability. This approach is evident throughout the Growth and Poverty Reduction Strategy Paper that outlines the response of the Government to the challenges presented by the economic vulnerability of Cape Verde.

2. Human and social capital

8. To combat human suffering caused by shocks, clear and transparent rules for social assistance have to be combined with effective public programmes. In Cape Verde, the Government has launched an effort to reform the works project aimed at coping with droughts and related food shortages, using a community-based targeting system to select recipients. In Mexico, where marginal rural areas share many of the characteristics of least developed countries, shocks translate into lower capacity for future development when families choose to sell productive assets or withdraw their children from school to maintain consumption. A cash-transfer programme serves as a safety net for poor families and stimulates investment in human development as the income transfers are conditional to children attending school and mothers and infants accessing health centres. The programme should also provide families with the incentive to keep investing in the health and education of their children during periods of economic shocks.

9. The experience of several countries provides evidence of close links between education and resilience to shocks. In Cape Verde, growth has been based on the development of industry and services, with higher levels of productivity supported by widespread access to education. Cape Verde has already achieved 100 per cent enrolment in primary schools and the current growth strategy calls for refocusing the educational system to provide the skills required in the sectors targeted for future development. In addition to being economically vulnerable, Botswana faced independence with low levels of human assets. Starting with only a few schools in 1966, Botswana has achieved primary completion rates of more than 90 per cent for both boys and girls. But training and practice in decision-making preceded the expansion of access to formal education. The role of adult education is crucial where formulating and implementing new solutions requires broad participation. Meanwhile, the ability of civil society and opposition parties to play constructive

roles in policy formation rests on the relatively high level of education of the population.

10. In Mauritius, both trade and industrial policies combined to reduce economic vulnerability by diversifying production and promoting direct foreign investment in textiles and other labour-intensive industries. Clearly, policy was important, but without widespread literacy to support a political process that recognized the need for reconciliation, success would not have been possible. Moreover, strategic planning and effective implementation required that Mauritius build capacity at all levels of Government.

11. Expatriates can play an important role either by reversing the brain drain and thus supplementing the stock of national human resources, or through remittances. In Cape Verde, for instance, remittances constitute an important safety net. Incentives have been introduced to encourage deposits by non-residents into the banking system, thereby contributing to intermediation and eventual increases in investment, especially in the construction sector.

3. Fiscal and financial management

12. Low-income countries (especially least developed countries) rarely have budgetary or current account surpluses. The inability to absorb adverse shocks often leads to reductions in investment in infrastructure, health and education, which compromise future growth prospects and increase economic vulnerability even more. Underdeveloped financial systems make adjustment more difficult. In turn, macroeconomic instability further undermines the health of the financial system. Cambodia and the Lao People's Democratic Republic in the 1990s provide examples of the difficulties experienced by countries lacking sufficient fiscal and monetary policy instruments to ease the adjustment. While devaluation is often recommended to correct external deficits, the experience of Mali in the 1990s indicates that it will not necessarily solve other macroeconomic imbalances in view of the sharp rise in consumer prices associated with the devaluation. This difficulty underscores the importance of careful management of a stable real exchange rate as an important tool for assuring macroeconomic stability.

13. These examples show the need for combining domestic and international efforts to better predict financial shocks, establish defensive mechanisms to reduce their immediate impact and bring new resources and instruments to mitigate negative consequences. The main pre-emptive approach would involve financial prudence and creating the investment climate for attracting foreign direct investment instead of relying on short-term borrowing. The "storage" of borrowing capacity through special arrangements with private financial institutions, international financial institutions and regional or international cooperation may constitute a second best alternative to stabilization reserves.

14. Diversification of domestic output and exports is essential to reduce economic vulnerability to changes in external demand and international prices. However, the scope for diversification is limited in small economies. In addition, a shortage of skilled labour may hinder the attempt to diversify into more skill-intensive sectors. Countries need time therefore to develop human assets. Yet their vulnerability to changes in external demand makes diversification urgent, especially when there is a slump in the prices of commodities that account for a high proportion of exports.

15. Developing countries that have succeeded in diversifying their economies have been able to use a combination of policies — expansion of education as well as trade and industrial policies. A combination of these polices helped, for instance, Mauritius to diversify in a range of export-processing activities and attract foreign direct investment in textiles and other labour-intensive industries.

C. International responses

16. International actors — both public and private — encouraged developing countries to adopt a more open, liberal trade and financial system. While the prospect of increased flows of capital offered promise for development, capital flows often came with substantial risks. Losses from shocks to exchange rates and interest rates led to financial crises in the 1980s and 1990s. The losses were pronounced in sectors and countries that used short-term borrowing to solve longer-term problems. The international community responded to those financial crises with debt reschedulings, debt relief and efforts to coordinate financial supervision. Financial innovation and burden-sharing in the form of the Brady bonds and the initiative for heavily indebted poor countries have eased the burden of debt. For many countries, debt relief has been helpful when given in the context of poverty reduction strategies that are based on wide participation and effectively channel resources towards critical social sectors. Debt relief has proved inadequate, however, in providing sufficient resources to develop productive sectors.

17. International organizations now recognize the need to assist countries in their efforts to attract private equity flows needed to develop infrastructure and business activities. The Bank for International Settlements and the Financial Stability Forum are involved in efforts to strengthen financial supervision and promulgate standards and codes that enhance sound fiscal management. The World Bank and IMF have encouraged developing countries to participate in financial sector assessments and are working with donors to provide the technical assistance needed to correct identified weaknesses. Regional organizations, such as those of bank supervisors in Latin America and eastern and southern Africa, have launched extensive training efforts to prepare bank examiners and regulators for the challenges inherent in more open economies. A regional fund in Latin America also provides access to reserves that can serve as a buffer to offset financial shocks.

18. Regional efforts also hold promise for broader governance reforms. The African Development Bank took the lead in discussions of governance in Africa in the late 1990s. More recently, the voluntary peer review mechanism introduced as part of the New Partnership for Africa's Development provides a context for the African Union to promote dialogue on transparency and good governance among its member States, most of which are least developed countries.

19. Other cases of vulnerability and instability are related to environmental stress or ecological damage. Water shortages and storm damages may intensify owing to ongoing climate change. International responses to such developments and their high economic costs have been of two types: organizations, such as various river basin initiatives, that work to prevent shortages and damage; and initiatives to guarantee safe water under the partnership efforts launched to reach the Millennium Development Goals. Under the United Nations Framework Convention on Climate

Change, the international community is developing climate funds and technical assistance to assist least developed countries in responding to such vulnerabilities.

20. National policy efforts by least developed countries to diversify export products are often undermined by agricultural subsidies and restrictions placed on access to important markets by developed countries and by the difficulties experienced in establishing commodity stabilization funds at the international and regional levels. Stabilization funds have often been overwhelmed by the scale of fluctuations in commodity prices. In Central America, the failure of the International Coffee Agreement in 1989 led to restructuring of support funds by individual countries in the region. The success of countries, however, has rested on national efforts at research and reforms in marketing, production and distribution.

21. International efforts are now focusing on buffer stocks to provide relief from the immediate impact of shocks and allow time for diversification of domestic production. Along these lines, IMF recently announced an Exogenous Shocks Facility designed specifically for low-income countries (as the Committee for Development Policy suggested years ago). The assistance would be provided as a low-interest loan and would be available as insurance against shocks related to changes in commodity prices, natural disasters and conflicts.

D. Recommendations

22. A few highly vulnerable countries have been able to develop the resilience required to sustain high levels of economic development and social transformation. Botswana, Cape Verde and Mauritius, for instance, have used long-term strategies that involve economy-wide interventions as well as interventions in specific, targeted sectors. Most important, those countries have identified and enhanced resources that provided buffers in the medium term and the "breathing space" for structural transformations that would take decades to complete. Botswana did this by building reserves from mineral sales, Mauritius by identifying the most profitable sugar agreement and Cape Verde by continuing to attract remittances. Such measures enabled them to have a financial cushion during the period of investment in education and infrastructure necessary to evolve into an economic structure less vulnerable to shocks.

23. The following set of recommendations identifies policy interventions that can contribute to building resilience to external shocks. The sequencing of interventions and the specific mix must be carefully tailored to the circumstances of the individual country and to the impending shifts in the global environment — both economic and environmental.

1. Good governance

- Ensure the rule of law, protection of property rights, and political consensus-building.
- Increase capacity to forecast, monitor and assess risks of external shocks by developing appropriate institutions and instruments.
- Develop open and inclusive decision-making processes to mobilize stakeholders in economic recovery and development.

- Design policies that utilize existing indigenous institutions and develop mechanisms that allow for full participation of local communities, ensuring local ownership of economic and social reforms.

2. Human and social capital

- Ensure that economic shocks do not impede access to health care by vulnerable groups.
- Adapt education to the specific needs of vulnerable economies, incorporating local traditional knowledge and building capacities for implementation of modern technologies and democratic participation.
- Train public servants to improve administrative skills and promote democratic practices.
- Develop innovative curricula for adults and youth to develop the capacity to prevent and mitigate the impact of economic shocks.
- Create incentives for transnational migrants to invest monetary assets, skills and ideas in their country of origin.
- Develop and implement clear and transparent rules for social assistance.
- Negotiate with Governments and corporations opportunities for bilateral and multilateral cooperation in order to promote human resource sharing between the countries of origin and the countries of residence, and facilitate remittances.

3. Fiscal and financial management

- Combine trade and industrial policies to reduce economic vulnerability by diversifying production and exports and promoting foreign direct investment.
- Develop financial and monetary policy and instruments to ensure a stable competitive exchange rate.
- Support development of markets for equity investments to minimize the need for borrowing short-term for long-term development.
- Develop financial institutions, including different forms of microfinance as well as banks and insurance companies to provide products and services to the poor.
- Build sufficient financial reserves which could be used as a stabilization and emergency fund to mitigate the impact of serious shocks.

4. International

- Encourage international efforts to develop financial exchanges in developing countries that include instruments to manage commodity price risk.
- Create the contingency arrangements for borrowing from private financial institutions and international financial organizations through regional and international cooperation.
- Establish rules for prompt disbursal of adequate financing in the case of shocks.

- Facilitate cooperation with international and regional research centres to promote research into new markets and products to support diversification.
- Support regionally focused initiatives, such as the Action Plan for Africa, with a view to addressing external shocks.
- Support proposals to establish international research initiatives on climate change that focus on developing countries.
- Reform trade and agricultural policies in developed countries, removing agricultural subsidies and trade barriers that hamper developing countries' exports.
- Improve development effectiveness by selecting vulnerable countries as candidates for assistance aimed at building capacity to manage shocks.

Chapter IV

Review of the status of least developed countries

A. Introduction

1. In accordance with Economic and Social Council resolution 1998/46, annex I, paragraph 9, the Committee for Development Policy undertook a triennial review of the status of least developed countries.

2. Low-income countries are considered least developed if they face structural impediments to growth. Indicators of such impediments are the high vulnerability of their economies and their low level of human capital, according to the present state of knowledge on the development process. The purpose of the review is to identify low-income countries suffering from severe structural handicaps, without making a judgement on the causes of those handicaps.

3. The Committee, in its identification of least developed countries, considers three dimensions of a country's state of development: its income level; its stock of human assets; and its economic vulnerability. Specifically, in the review process, the Committee applies the following criteria for these dimensions, respectively: (a) gross national income (GNI) per capita; (b) the human assets index (HAI); and (c) the economic vulnerability index (EVI). In addition, in 1991, the then Committee for Development Planning, in its report on the twenty-seventh session, determined that countries with a population exceeding 75 million should not be considered for inclusion in the list of least developed countries.[4]

4. In the review process, the Committee determines threshold levels on each of the three criteria to identify the countries to be added to or graduated from the category of least developed countries. To be added to the category, a country must satisfy all three criteria, that is, reach the threshold levels for inclusion based on all three criteria. To become eligible for graduation, a country must reach threshold levels for graduation for at least two of the aforementioned three criteria, or its GNI per capita must exceed twice the threshold level, and the likelihood that the level of GNI per capita is sustainable must be deemed high. To be recommended for graduation, a country must be found eligible for graduation in two consecutive triennial reviews. The aim of these graduation rules is to ensure that countries in the list of least developed countries should not be graduated until their development prospects have significantly improved. The decision on whether countries should be graduated is the responsibility of the Economic and Social Council and, ultimately, the General Assembly. The Committee noted that no country is included in the list by the Assembly unless the country gives its agreement.

5. The Economic and Social Council, in its resolution 2006/1, took note of the recommendations of the Committee regarding general principles and the refinement of criteria with a view to achieving the objective of equal treatment of countries in similar situations and requested the Committee to continue developing a consistent set of criteria to be applied to all recommendations regarding the inclusion in and graduation from the list of least developed countries.

[4] See *Official Records of the Economic and Social Council, 1991, Supplement No. 11* (E/1991/32), para. 237. In 1991, the General Assembly, in paragraph 1 of its resolution 46/206, noted with appreciation the new criteria for identifying the least developed countries.

6. The 2006 review of the list of least developed countries was conducted by the Committee with due consideration for the following principles underlying the criteria, as defined by the Committee at its seventh session in 2005,[5] namely, (a) identification of low-income countries suffering from severe structural handicaps; (b) equitable treatment of the countries over time; (c) stability of the criteria; and (d) the need for flexibility in applying the three criteria.

7. With respect to the need for flexibility, the Committee should consider, if necessary, additional information, as suggested in its report on its seventh session.[6] In order to assess the overall structural handicap in arriving at a determination for inclusion or graduation, the Committee should consider the combined level of the two structural handicap criteria (HAI and EVI).

8. To allow for equitable treatment and comparison of countries over time, in the construction of HAI and EVI, the Committee agreed to impose bounds on extreme outliers in the components of the indices.

B. Criteria for the identification of the least developed countries in the 2006 review

1. Gross national income per capita

9. The list of countries to which the criteria for identifying the least developed countries were applied during the 2006 review comprised least developed countries and developing countries classified by the World Bank as low-income countries in one of the years from 2002 to 2004. As a result, 65 countries were retained for consideration during the review: the 50 least developed countries and 15 other low-income countries which are currently not classified as least developed countries (see table below).

10. The threshold for inclusion was calculated at $745, a three-year (2002-2004) average GNI per capita of the low-income threshold established by the World Bank, based on the World Bank Atlas method.[7] The threshold for graduation was set at $900, or about 20 per cent above the threshold for inclusion, in order to effectively prevent graduating countries subsequently returning to the category owing to short-term declines in their GNI per capita caused by exogenous shocks,[8] or exchange rate variations.

2. Human assets index

11. In line with the modifications proposed by the Committee at its seventh session, the HAI used is a combination of four indicators, two for health and nutrition and two for education: (a) the percentage of population undernourished; (b) the mortality rate for children aged five years or under; (c) the gross secondary school enrolment ratio; and (d) the adult literacy rate.

[5] See *Official Records of the Economic and Social Council, 2005, Supplement No. 13* (E/2005/33).
[6] Ibid.
[7] The World Bank thresholds for low-income countries during these three years were $755, $745 and $735, respectively.
[8] See note 5.

Least developed and other low-income countries: criteria used in determining eligibility for least developed country status

			Population 2004 (millions)	*Per capita gross national income (United States dollars)*	*Human assets index*	*Economic vulnerability index*
LI	L	Afghanistan	29.9	122	11.5	60.3
LI	L	Angola	15.9	823	28.8	43.4
LI	L	Bangladesh	141.8	403	50.1	**25.8**
LI	L	Benin	8.4	450	39.9	52.9
LI	L	Bhutan	2.2	690	44.4	46.6
LI	L	Burkina Faso	13.2	303	24.6	46.7
LI	L	Burundi	7.5	90	20.1	59.9
LI	L	Cambodia	14.1	303	46.0	52.3
LI		Cameroon	16.3	667	46.7	33.1
	L	Cape Verde	0.5	**1 487**	**82.1**	57.9
LI	L	Central African Republic	4.0	277	27.3	50.8
LI	L	Chad	9.7	237	22.2	62.8
LI	L	Comoros	0.8	450	37.8	63.6
LI		Congo	4.0	680	52.5	49.6
LI		Côte d'Ivoire	18.2	683	41.0	33.5
LI		Democratic People's Republic of Korea	22.5	508	70.3	40.2
LI	L	Democratic Republic of the Congo	57.5	103	21.2	42.6
	L	Djibouti	0.8	**943**	44.7	60.2
LI	L	Equatorial Guinea	0.5	**3 393**	55.6	70.7
LI	L	Eritrea	4.4	163	34.1	64.0
LI	L	Ethiopia	77.4	100	26.6	39.3
LI	L	Gambia	1.5	277	41.5	55.7
LI		Ghana	22.1	323	56.2	41.5
LI	L	Guinea	9.4	433	36.2	**34.6**
LI	L	Guinea-Bissau	1.6	143	25.6	66.2
LI	L	Haiti	8.5	410	38.5	56.8
LI		India	1 103.4	543	59.1	19.1
LI		Indonesia	222.8	970	80.0	24.8

			Population 2004 (millions)	*Per capita gross national income (United States dollars)*	*Human assets index*	*Economic vulnerability index*
LI		Kenya	34.3	407	50.6	24.2
	L	Kiribati	0.1	**917**	**90.5**	84.3
LI	L	Lao People's Democratic Republic	5.9	350	54.0	57.9
LI	L	Lesotho	1.8	623	61.2	50.5
LI	L	Liberia	3.3	117	28.9	68.0
LI	L	Madagascar	18.6	273	41.6	41.6
LI	L	Malawi	12.9	163	40.5	48.8
	L	Maldives	0.3	**2 320**	**81.9**	50.5
LI	L	Mali	13.5	300	21.5	42.6
LI	L	Mauritania	3.1	403	46.4	40.6
LI		Mongolia	2.6	497	76.8	46.7
LI	L	Mozambique	19.8	220	25.6	43.6
LI	L	Myanmar	50.5	167	**68.4**	42.2
LI	L	Nepal	27.1	243	56.0	**37.4**
LI		Nicaragua	5.5	757	69.8	43.9
LI	L	Niger	14.0	203	12.7	50.0
LI		Nigeria	131.5	347	50.0	44.8
LI		Pakistan	157.9	537	46.2	25.7
LI		Papua New Guinea	5.9	527	54.1	44.2
LI	L	Rwanda	9.0	220	33.8	59.3
	L	Samoa	0.2	**1 597**	**90.4**	64.7
LI	L	Sao Tome and Principe	0.2	333	63.6	58.2
LI	L	Senegal	11.7	557	38.8	41.8
LI	L	Sierra Leone	5.5	190	15.7	63.7
LI	L	Solomon Islands	0.5	557	**70.6**	56.9
LI	L	Somalia	8.2	193	5.4	68.4
LI	L	Sudan	36.2	463	49.0	49.9
LI	L	Timor-Leste	0.9	467	55.3	65.2
LI	L	Togo	6.1	323	46.0	45.8
	L	Tuvalu	0.01	**1 267**	**89.7**	91.9
LI	L	Uganda	28.8	253	49.0	47.4

			Population 2004 (millions)	Per capita gross national income (United States dollars)	Human assets index	Economic vulnerability index
LI	L	United Republic of Tanzania	38.3	313	57.9	**38.1**
	L	Vanuatu	0.2	**1 187**	**66.0**	**64.1**
LI		Viet Nam	84.2	487	80.1	35.7
LI	L	Yemen	21.0	522	48.3	42.1
LI	L	Zambia	11.7	300	35.2	46.2
LI		Zimbabwe	13.0	430	53.0	47.9

Note: LI: low-income country; L: least developed country.

The thresholds for inclusion in the list of least developed countries are population less than 75 million; per capita gross national income (GNI) less than $745; human assets index (HAI) less than 58; and economic vulnerability index (EVI) greater than 42. A country must meet all the criteria. Thresholds for graduation from the list of least developed countries are: per capita GNI greater than $900; HAI greater than 64; and EVI less than 38. A country must meet at least two criteria to be eligible for graduation.

Figures in boldface type indicate a graduation criterion that has been met by a least developed country.

12. As agreed in previous reviews, the HAI threshold for inclusion is the value of the index between the third and fourth quartiles of the values for the 65 countries. As in the 2003 review, the threshold for graduation was established at 10 per cent above the inclusion threshold. Thus, the threshold for inclusion in the list of least developed countries is an HAI value of 58 and the threshold for graduation is 64.

3. Economic vulnerability index

13. The EVI reflects the risk posed to a country's development by exogenous shocks, the impact of which depends on the magnitude of the shocks, and on structural characteristics that determine the extent to which the country would be affected by such shocks. In line with the modifications proposed by the Committee at its seventh session, the EVI is a combination of seven indicators: (a) population size; (b) remoteness; (c) merchandise export concentration; (d) share of agriculture, forestry and fisheries in gross domestic product; (e) homelessness owing to natural disasters; (f) instability of agricultural production; and (g) instability of exports of goods and services.[9]

14. In keeping with the previous reviews, the EVI threshold for inclusion is the value of the index between the third and fourth quartiles of the values for the 65 countries. As in the case of the HAI, the Committee applied a difference of 10 percent between thresholds for inclusion and graduation. The threshold for inclusion in the list of least developed countries is 42 and the threshold for graduation is 38.

[9] Ibid.

C. Eligibility for inclusion and graduation

15. The 2006 review of least developed countries was conducted by the Committee in line with the general principles for the identification of least developed countries as described in section A of the present chapter and based on the threshold levels set out in section B.

1. Countries to be considered for inclusion

16. The Committee identified three low-income countries — the Congo, Papua New Guinea and Zimbabwe — that meet all three criteria for inclusion in the list of least developed countries.

17. The Committee found that Papua New Guinea and Zimbabwe were eligible for inclusion. Those two countries had experienced a long period of stagnation and/or decline in their GNI per capita. Not only had they been for many years low-income countries with a low level of human capital, but they also currently met the EVI threshold for inclusion. The present HAI and EVI scores revealed, moreover, that they faced similar levels of severe structural handicaps to growth: when the two indices were averaged, the scores for the two countries were the same.

18. The Committee noted that the Congo also met all three criteria for inclusion. However, the Committee reiterated that the decline of that country, which was an oil exporter, was associated with civil war, and was considered to be a temporary rather than a structural phenomenon. In the last few years, there had been some positive developments in the country, which had brought the Congo close to the low/middle-income threshold, suggesting that it was on the path to economic recovery.[16]

19. The Committee noted that, among the other 12 low-income developing countries which were not least developed countries, 6 met the HAI threshold for inclusion in the list of least developed countries, while 3 met the EVI threshold for inclusion. Nigeria met the thresholds for inclusion on both HAI and EVI, but was not eligible for inclusion in the list owing to its large population (131.5 million).

2. Countries to be considered for graduation

20. The Committee considers as eligible for graduation those countries that meet two of the criteria for the first time, and as qualifying for graduation those countries that do so in two consecutive reviews (see para. 4 of the present chapter).

(a) Eligible countries meeting the graduation criteria for the first time

21. The Committee noted that Kiribati, Tuvalu and Vanuatu met two criteria for graduation, GNI per capita and HAI. While Kiribati and Tuvalu faced the highest scores in EVI, they also showed the highest levels of HAI. Those two countries had already met the criteria in 2003, but were not considered as eligible by the Committee owing to uncertainty at that time regarding the quality of the data. In 2006, it was established that they met the criteria and so the Committee considered Kiribati and Tuvalu eligible for graduation. In the case of Vanuatu, the Committee noted that it met the GNI per capita and HAI criteria. Although Vanuatu still had a

[16] IMF Country Report No. 04/231, "Republic of Congo: Selected Issues and Statistical Appendix", August 2004.

very high EVI score, the Committee considered Vanuatu eligible for graduation. The Committee recommended that information be collected on the situation of those three countries before the next triennial review in order to allow a fully informed in-depth assessment.

22. Equatorial Guinea had a GNI per capita of about $3,400, the highest among the least developed countries, almost at four times the graduation threshold, which placed it among the higher middle-income group of countries. Although Equatorial Guinea did not meet any other required threshold for graduation and it was highly vulnerable as measured by the EVI, the Committee, in line with the recommendation previously adopted at its seventh session, found Equatorial Guinea eligible for graduation. The Committee also noted that the level of HAI in that country had improved since the previous review, becoming closer to the graduation threshold: 56 for a graduation threshold of 64 in 2006, compared to 47 for a graduation threshold of 61 in 2003.

(b) Countries qualifying for graduation (meeting the criteria for two consecutive periods)

23. In 2003, the Committee found Samoa eligible for graduation. The 2006 review confirmed that Samoa had met two graduation criteria (GNI per capita and HAI). Samoa now has the third highest GNI per capita and the second highest HAI score among the least developed countries; both measures are well above the graduation threshold. However, Samoa is economically vulnerable, with an EVI score of 64.7, far greater than the graduation threshold of 38. The average of the two indices, HAI and EVI, is at a level similar to that of Cape Verde, whose graduation has been decided by the General Assembly. The Committee considered the vulnerability profile prepared by UNCTAD, which confirmed the strong dependence of the economy on remittances and provided an assessment of the likely consequences of graduation for Samoa. The Committee was also given a presentation on the situation of the country by the Ambassador of Samoa. Taking into consideration the whole set of information, the Committee recommended Samoa for graduation from the list of least developed countries.

3. Other issues

24. In its review, the Committee noted that of a total of 50 least developed countries, 36 countries failed to meet any of the graduation criteria, while 7 other countries met no more than one of the three graduation criteria. Of the remaining seven countries, two were to be graduated in accordance with recent General Assembly resolutions[11] (Cape Verde at the end of 2007 and Maldives in January 2011), one was recommended for graduation (Samoa) and four were found eligible for graduation for the first time by the Committee at the eighth session (Equatorial Guinea, Kiribati, Tuvalu and Vanuatu).

25. The Committee informed the representatives of those countries that were found eligible for inclusion in the list of least developed countries (Papua New Guinea and Zimbabwe) and countries considered eligible for graduation from the list (Equatorial Guinea, Kiribati, Tuvalu and Vanuatu). The Committee was

[11] See General Assembly resolutions 59/209, 59/210 and 60/33.

subsequently notified by the Government of Zimbabwe that Zimbabwe "does not give its consent to be downgraded to LDC status".[12]

D. Implementation of transition strategy and post-graduation monitoring

26. The Committee was informed by the Ambassador of Cape Verde of its transition strategy. The Committee noted that the country was decisively taking ownership of the graduation process in a participatory manner.

27. The Committee affirmed its willingness to monitor the implementation of the transition strategy of all graduating countries, in accordance with paragraph 12 of General Assembly resolution 59/209.

E. Recommendations

28. The Committee recommended that: (a) Papua New Guinea be included in the list of least developed countries (subject to the Government's acceptance); and (b) Samoa be graduated from the list of least developed countries.

29. The Committee found Equatorial Guinea, Kiribati, Tuvalu and Vanuatu eligible for graduation for the first time. It expected UNCTAD to prepare vulnerability profiles for those countries in accordance with General Assembly resolution 59/209. The Committee was amenable to providing guidance for the preparation of the profiles.

30. In that year prior to the next triennial review (2009), the Committee should make an effort to identify the countries which were likely to be recommended for inclusion or graduation in order to facilitate timely and in-depth collection of data on those countries.

31. The Committee considered that there was scope and need for further methodological refinements in the design and application of the criteria. In particular, it was of the view that owing to the incidence of HIV, the life expectancy at birth should be used as a component of HAI, as soon as reliable data became available.

32. With regard to the large number of least developed countries which so far did not meet any of the criteria for graduation and were not likely to meet the Millennium Development Goals, the Committee recommended that priority attention be given to those countries in order to design appropriate policy interventions.

33. The Committee suggested that the graduating countries be assisted in obtaining information about the range of development assistance available to implement a smooth transition.

[12] Letter (dated 30 March 2006) from the Secretary for Foreign Affairs of the Republic of Zimbabwe, Ambassador J.M. Bimha, addressed to the Secretary of the Committee for Development Policy.

Chapter V

Future work of the Committee for Development Policy

1. The Committee welcomed the opportunity to contribute to the work of the Economic and Social Council and reaffirmed its willingness to continue to do so. It remained of the view that preparatory work was necessary prior to the session of the Committee if the Council was to obtain full value from the Committee and its efforts. Such preparatory work must begin well in advance of each session so that the Committee had all the necessary analysis at hand and was able to devote its discussions to formulating well-considered, meaningful and operational recommendations in its report to the Council.

2. The Committee considered it important that the Economic and Social Council should continue to be in a position to adhere to its decision to make its requests on the Committee agenda at its mid-year substantive session or soon thereafter. Early and timely decisions on themes to be covered by the Committee should not, indeed, preclude later adjustments so as to take account of significant unforeseen developments in the course of the year. The Committee also stressed the need to have more effective input into the policy process, including the presentation of its report to the Council at its substantive sessions.

3. The Committee was of the view that the Economic and Social Council could make more effective use of its expertise. This issue had been addressed in a joint meeting between the Bureaux of the Council and the Committee. It had been concluded that in view of the follow-up to the 2005 World Summit and to the Economic and Social Council reform process, the Committee could take on a stronger role as a think tank, contributing to the setting and evaluation of the international development agenda, and provide inputs to the Council. Accordingly, if the Committee undertook new activities as suggested above, the Council might wish to consider adjusting the working methods and terms of reference of the Committee.

Chapter VI

Organization of the session

1. The eighth session of the Committee for Development Policy was held at United Nations Headquarters from 20 to 24 March 2006. Twenty-two members of the Committee, as well as observers for several organizations within the United Nations system, attended the session. The list of participants is contained in annex I.

2. The Department of Economic and Social Affairs of the United Nations Secretariat provided substantive services for the session. The Director of the Development Policy and Analysis Division of the Department of Economic and Social Affairs opened the session and welcomed the participants on behalf of the Under-Secretary-General for Economic and Social Affairs.

3. The Under-Secretary-General for Economic and Social Affairs introduced his views about the subject matters addressed by the Committee and introduced possible questions for discussion. Together with other issues, he stressed the important role the Committee could play in assessing the broader United Nations development agenda and in signalling new issues for the future which the Economic and Social Council could consider.

4. The agenda for the eighth session and the list of documents before the Committee are contained in annexes II and III, respectively.

Annex I

List of participants

1. The following members of the Committee attended the session:

Ms. N'Dri Thérèse Assié-Lumumba

Ms. Iskra Beleva

Ms. Patricia Bifani-Richard

Mr. Albert Binger

Mr. Olav Bjerkholt

Ms. Gui-Ying Cao

Mr. Eugenio B. Figueroa

Mr. Leonid M. Grigoriev

Mr. Patrick Guillaumont

Ms. Heba Handoussa

Mr. Hiroya Ichikawa

Ms. Willene Johnson

Ms. Marju Lauristin

Mr. Milivoje Panić (*Vice-Chairperson*)

Ms. Carola Pessino

Ms. Suchitra Punyaratabandhu (*Chairperson*)

Ms. Sylvia Saborio (*Rapporteur*)

Mr. Udo Ernst Simonis

Ms. Funmi Togonu-Bickersteth

Mr. G. Usvatte-Aratchi

Mr. Samuel Mwita Wangwe

Mr. Kerfalla Yansane

2. The following organizations, bodies, agencies, programmes and funds of the United Nations system were represented at the session:

- Department of Economic and Social Affairs
- Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
- Economic and Social Commission for Asia and the Pacific
- United Nations Children's Fund
- United Nations Conference on Trade and Development
- United Nations Economic Commission for Africa

- United Nations Industrial Development Organization
- United Nations Population Fund
- United Nations University
- World Food Programme
- Food and Agriculture Organization of the United Nations
- International Labour Organization
- International Monetary Fund
- World Bank
- World Health Organization
- World Trade Organization

Annex II

Agenda

1. Adoption of the agenda and organization of work.
2. Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development:
   (a) Challenges;
   (b) Policies for productive employment and decent work.
3. Coping with economic vulnerability and instability — national and international policy responses:
   (a) Economic vulnerability;
   (b) National responses;
   (c) International responses.
4. Review of the status of least developed countries:
   (a) Criteria for the identification of the least developed countries in the 2006 review;
   (b) Eligibility for inclusion and graduation;
   (c) Presentations by Cape Verde and Samoa;
   (d) Future work.
5. Other matters.
6. Future work of the Committee.

Annex III

List of documents before the Committee at its eighth session

Document symbol	*Title or description*
CDP2006/PLEN/1	List of documents
CDP2006/PLEN/2	Agenda
CDP2006/PLEN/3	General Assembly resolution on the deferral of the smooth transition period for the graduation of Maldives from the list of least developed countries
CDP2006/PLEN/4	Economic and Social Council resolution on the report of the Committee for Development Policy on its seventh session
CDP2006/PLEN/5	Report of the Committee for Development Policy on its seventh session
CDP2006/PLEN/6	Contributions by Committee for Development Policy members to the report on creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development
CDP2006/PLEN/7	Report of Expert Group meeting on coping with economic vulnerability and instability: national and international policy responses
CDP2006/PLEN/8	Report of the Expert Group meeting on the review of the status of least developed countries
CDP2006/PLEN/9	Vulnerability profile of Samoa (March 2006) by the United Nations Conference on Trade and Development

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